

Fiscal Services Division Legislative Services Agency Fiscal Note

HF 2497 - Early Out for State Employees (LSB 6587 HV)
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Fiscal Note Version - New

Description

House File 2497 provides for an incentive to Executive Branch employees to sever employment with the State by paying the employee up to the lesser of 75.0% of the employee's regular salary or an amount equal to 75.0% of the value of the employee's accumulated sick leave.

Employees whose years of service and age combine to equal or exceed 75, who submit an application and agree to sever employment and not return to permanent part-time or permanent full-time employment with the State, are eligible to participate in the incentive. The employee must separate from State employment by July 2, 2004.

The employee will be paid the sick leave amount and their accumulated vacation pay over a five-year period beginning in FY 2005 and ending in FY 2009.

The employee will be eligible to continue group insurance coverage for their families, at their own expense, in the same manner as a retired employee as provided in Section 509A.13, Code of Iowa, until reaching the age of 65.

Assumptions

1. Employees that do not participate in the incentive are entitled to the payment of their accumulated vacation in a lump sum upon termination of employment.
2. Currently, there are approximately 5,800 employees, excluding the Regent's Institutions, Judicial Branch, and the Legislature that satisfy the rule of 75 under the Iowa Public Employees' Retirement System (IPERS).
3. Employees' age 55 or older with 20 or more years of service, who have 400 hours or more of banked sick leave are the most likely participants.
4. There are approximately 1,900 most likely eligible participants, whose average FY 2004 salary and benefit cost is \$68,000.
5. The average FY 2004 salary and benefit cost for positions that are refilled is \$56,000, which includes \$43,000 in salary, and is assumed to be the same for all fiscal years.
6. Accumulated vacation pay averages \$9,000 for the most likely participants.
7. Accumulated sick pay averages \$30,000 for the most likely participants.
8. There will be no significant administrative costs.
9. The mortality of this group of eligible employees is not considered.
10. The participation rate is the average of the past two early retirement programs, 344.
11. The General Fund funds approximately 43.0% of the retirees' salary.
12. Approximately 75.0% of the positions will be refilled.
13. Departments will assume the sick leave and vacation buy-back costs over the next five years and pay 30.0% in FY 2005, 20.0% in FY 2006 through FY 2008, and 10.0% in FY 2009.

Fiscal Impact

House File 2497 is expected to have a cost avoidance of approximately \$5.4 million in FY 2005, \$6.6 million for each FY 2006 through FY 2008, \$7.7 million in FY 2009, or \$32.8 million over five years from all funding sources. The General Fund share would be approximately \$2.7 million in FY 2005, \$3.1 million for each FY 2006 through FY 2008, \$3.4 million in FY 2009, or \$15.4 million over five years.

The above estimate does not include State employees of the Board of Regents, Judicial Branch, and the Legislature.

Sources

Department of Management
Department of Administrative Services
Legislative Services Agency

Dennis C Prouty

March 15, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
